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Green Choice Solar

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Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

JUL 19 2010

Re: Proposed APS FIT Program (Docket No. E-01345A-10-0262)

DOCKETED BY

*mm*

Dear Chairman Mayes and Commissioners:

I am writing to provide comments on the proposed FIT program included in the APS 2011 RES Implementation Plan. As you know, I strongly advocate the adoption of a well-designed FIT in Arizona. By "well-designed," I mean that the utility should pay a standard fixed price *sufficient* to attract participants into the FIT program and establish a capacity cap *sufficient* to allow for its success. Setting either the feed-in rate or capacity limit too low will ensure scant participation, guaranteeing failure for the program.

I must admit that I am underwhelmed by APS' proposed *Powerful Communities* FIT Program. This program sets the feed-in rate too low at \$0.195 per kWh and the capacity limit too low at 2 MW per year. A well-designed FIT should encourage the development of as many solar projects as possible. However, given the constraints of the APS proposal, I am not sure that any solar developer will even want to participate.

In my docketed letter dated May 5, 2010, I recommended a program cap of 75 MW. The rationale behind having a substantial capacity limit is simple: It helps to avoid the "mad rush" phenomenon, where solar developers file their FIT reservations on the first few days of the program's official start. Moreover, it will take 12 months to know if any of the projects are operational.

If all projects are commissioned within the year, the FIT program would be considered a resounding success. Conversely, if no projects are commissioned within the one-year deadline, the FIT program would be dubbed an abject failure. APS proposed a 2 MW capacity limit creates precisely this quandary. Raising the capacity cap to 75 MW will diminish the urgency for solar developers to hurry their projects prematurely in the

FIT reservation queue. Solar developers will then have adequate time to secure a suitable location and critical financing for the project.

The FIT should also be structured in three tiers based on system size. At a minimum, the feed-in rate for 2011 should be priced approximately at \$0.25 per kWh over a 20-year standardized term for smaller-sized solar PV systems. (Though the feed-in rates for 2012 and 2013 would be less than \$0.25 per kWh.) Determining the pricing of the feed-in rate is not a complex calculation. In general, the amount is based on the current PBI payment plus the energy production rate paid by the customer. As a result, the current pricing model does not support APS' proposed \$0.195 per kWh. I would recommend that the Commission direct APS to work with the solar industry in determining the appropriate fixed rates for the various FIT categories under 1 MW.

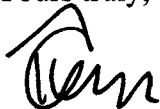
I do agree with several aspects of APS' program, including the requirement that DE systems be operational within 12 months, incentive funding be awarded on a first-come, first-served basis, the FIT payment term be structured over 20 years, and the program term run three years. Many of the stakeholders at the FIT workshop advocated that these features are integral to ensuring the successful implementation of a FIT program. I also believe that APS should require solar developers pay a fee when they file their FIT reservation as a way to cut down on phantom projects that crowd-out other legitimate ones.

By establishing the appropriate rates and adequate capacity limit, the FIT will attract ample participation from serious solar developers. Therefore, I urge the Commission to modify APS' *Powerful Communities* program by:

- Increasing the feed-in rate from \$0.195 per kWh to a higher fixed rate that would be determined in a working session with APS and solar developers.
- Enlarging the program capacity cap from 2 MW per year to 75 MW per year.
- Raising the system eligibility ceiling from 200 kW to 1 MW.
- Establishing three FIT brackets based on system size.
- Requiring a reservation fee.

I am sure that the Commission does not want approve an ineffective FIT program. With these proposed changes, however, the APS FIT will now be able to live up to its ambitious name, *Powerful Communities*. Thank you for your consideration.

Yours truly,



Herbert Abel  
Chief Executive Officer